



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
POWELL COUNTY SHERIFF**

**Calendar Year 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**POWELL COUNTY SHERIFF**

**Calendar Year 2000**

The Auditor of Public Accounts has completed the Powell County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

**Comment:**

The Sheriff Did Not Deposit Monies In An Interest Bearing Account



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Bobby Drake, Powell County Judge/Executive

Honorable Darren Farmer, Powell County Sheriff

Members of the Powell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Powell County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Bobby Drake, Powell County Judge/Executive  
Honorable Darren Farmer, Powell County Sheriff  
Members of the Powell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Did Not Deposit Monies In An Interest Bearing Account

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 17, 2001



POWELL COUNTY  
DARREN FARMER, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Grants	\$	42,595
State Grants		21,590
State Fees For Services:		
Finance and Administration Cabinet	\$	13,640
Department of Juvenile Justice		217
Cabinet For Human Resources		969
		14,826
Circuit Court Clerk:		
Sheriff Security Service	\$	9,715
Fines and Fees Collected		2,994
Court Ordered Payments		11,880
		24,589
Fiscal Court		16,846
County Clerk - Delinquent Taxes		3,196
Commission On Taxes Collected		74,274
Fees Collected For Services:		
Add-on Fees for Taxes Collected	\$	20,950
Advertising Fees		732
Auto Inspections		4,313
Accident and Police Reports		114
Carrying Concealed Deadly Weapon Permits		7,550
U. S. Forestry Patrol		2,400
Serving Papers		19,050
Miscellaneous		3,402
Reimbursement		2,012
		60,523
Interest Earned		262
Borrowed Money:		
Bank Note		5,000
		5,000
Gross Receipts	\$	263,701

The accompanying notes are an integral part of the financial statement.

POWELL COUNTY  
 DARREN FARMER, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Gross Salaries	\$	83,276	
Part-Time Gross Salaries		14,007	
Other Gross Salaries		20,408	
Overtime Gross Salaries		3,130	

Contracted Services-

Advertising		108	
Vehicle Maintenance and Repairs		6,509	

Materials and Supplies-

Office Materials and Supplies		294	
Uniforms		3,684	

Auto Expense-

Gasoline		19,972	
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Other Charges-

Court Ordered Executions		11,549	
Carrying Concealed Deadly Weapon Permits		5,330	
Dues		25	
Film Processing		708	
Postage		91	
Service Fees		3,020	
Dry Cleaning		887	
Bond		102	
Miscellaneous		1,483	

Capital Outlay-

Office Equipment		5,519	
Vehicles		8,319	188,421

Debt Service:

Notes	\$	5,000	
Interest		184	5,184

The accompanying notes are an integral part of the financial statement.

POWELL COUNTY  
DARREN FARMER, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 2000  
(Continued)

Total Disbursements	\$ 193,605
Less: Disallowed Disbursement	
Interest on Bank Note	184
Total Allowable Disbursements	\$ 193,421
Net Receipts	\$ 70,280
Less: Statutory Maximum	59,306
Excess Fees Due County for Calendar Year 2000	\$ 10,974
Payment to County Treasurer - July 17, 2001	9,000
Balance Due County at Completion of Audit	\$ 1,974

The accompanying notes are an integral part of the financial statement.

POWELL COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months of the year and the 7.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

POWELL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2000  
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bonds which named the Sheriff as beneficiary/obligee on the bonds.

Note 4. Grants

A. Cops in School Grant

During calendar year 2000, the Sheriff was awarded a grant in the amount of \$63,958 that is to be used for the salary of a school resource officer from the period of April 1, 2000 to March 31, 2003. For calendar year 2000, the Sheriff received and expended \$7,200 under the terms of this grant. The balance in the grant at December 31, 2000, was \$0.

B. Universal Hiring Grant

During calendar year 1999, the Sheriff was awarded a grant in the amount of \$95,938 that is to be used for deputies' salaries from the period of April 1, 1999 to March 31, 2002. The balance in this account at January 1, 2000, was \$0. During calendar year 2000, the Sheriff received and expended \$35,395 under the terms of this grant. The balance in the account at December 31, 2000, was \$0.

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COMMENT AND RECOMMENDATION





POWELL COUNTY  
DARREN FARMER, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

Calendar Year 2000

STATE LAWS AND REGULATIONS:

The Sheriff Did Not Deposit Monies In An Interest Bearing Account

The Sheriff did not deposit his fee monies into an interest bearing account. KRS 66.480(4) encourages the Sheriff to invest money subject to his control. It also allows the fiscal court to direct the Sheriff to invest money. Furthermore, KRS 66.480(1)(d) specifies that interest bearing accounts are acceptable investments. It is sound financial management to deposit fee monies in an interest bearing account. We recommend the Sheriff take advantage of KRS 66.480 by depositing fee monies in an interest bearing account. If not, then we recommend the fiscal court direct the Sheriff to deposit fee monies in an interest bearing account.

*County Sheriff's Response:*

*Fee account is not interest bearing.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Powell County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated August 17, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Powell County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards.

- The Sheriff Did Not Deposit Monies In An Interest Bearing Account

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Powell County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 17, 2001

